

Message Text

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71

ACTION EB-11

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 3695

C O N F I D E N T I A L KINGSTON 0081

E.O. 11652: GDS

TAGS: ETRN

SUBJ: CIVAIR: AIR JAMAICA FUELING PROBLEMS IN THE US

REF: KINGSTON 0079, KINGSTON 0080

1. CONTENTS OF REFTELS EXPLAINS IN DETAIL AIR JAMAICA FUELING PROBLEMS IN THE US AND THE POSSIBLE IMPACT ON JAMAICA'S DOMESTIC ECONOMY AND ITS BALANCE OF PAYMENTS UNLESS SOME SOLUTIONS ARE FOUND. THE FUNDAMENTAL DIFFICULTY ARISES FROM THE RAPID GROWTH OF AIR JAMAICA SINCE THE FIRST QUARTER OF 1972 WHICH WAS SELECTED AS THE BASE PERIOD UNDER US FUEL ALLOCATION REGULATIONS. AS A RESULT OF THIS GROWTH IN THE PAST TWO YEARS UTILIZING THE FIRST QUARTER OF 1972 AS THE BASE MEANS THAT JAMAICA WOULD RECEIVE ONLY 38 PERCENT OF ITS REAL REQUIREMENTS RATHER THAN 85 PERCENT WHICH SEEMS TO BE THE INTENT OF THE REGULATIONS. MINISTER OF TRANSPORTATION AND COMMUNICATIONS ERIC BELL PROPOSES THAT AIR JAMAICA BE SUPPLIED WITH 3 MILLION GALLONS OF JET FUEL IN THE US DURING THE FIRST QUARTER OF 1974 AND 3 MILLION, 200 THOUSAND GALLONS EVERY QUARTER THEREAFTER. THIS IS SOMEWHAT SHORT OF THE 3 MILLION 300 THOUSAND GALLONS FOR SCHEDULED SERVICES WHICH WAS THE PROJECTED REQUIREMENT. AIR JAMAICA ESTIMATES THAT IT CAN CONTINUE ALL OF ITS SCHEDULED SERVICES AND MOST OF ITS CHARTER OPERATIONS IF IT RECEIVES THE REQUESTED ALLOCATIONS.

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2. ACCORDING TO BELL, INCOME FROM TOURISM MAY FALL AS MUCH AS 24 MILLION IN 1974 IF AIR JAMAICA IS UNABLE TO MAINTAIN ITS SCHEDULES. GIVEN A NET RESERVE POSITION OF APPROX 75 MILLION THIS WOULD BE A SERIOUS BLOW TO JAMAICAS BALANCE OF PAYMENTS AS WELL AS A BURDEN ON THE JAMAICAN ECONOMY.

3. IN HIS DISCUSSIONS WITH BOTH PJ PATTERSON AND ERIC BELL, CHARGE STRESSED THAT IT WAS MOST ULIKELY THAT JAMAICA WOULD RECEIVE ITS FULL REQUIRMENTS FOR THE FIRST QUARTER OF 1974 AND URGED THAT THEY MAKE A FIRM PROPOSAL WHICH WOULD APPROXIMATE THE 85 PERCENT OF ACTUAL REQUIREMENTS WHICH SEEMED TO BE THE INTENT OF THE REGULATIONS. THE PROPOSAL MADE BY BELL CONSIDERABLY EXCEEDS THT. ON THE OTHER HAND, THEY DO HAVE A REAL PROBLEM BECAUSE OF THE CUTBACKS IN SERVICE TO JAMA CA BY*OTHER CARRIERS AND THE VITAL IMPORTANCE OF THE TOURIST INDUSTRY. THEY MUST KEEP THE TOURISTS COMING AND IF OTHER CARRIERS WON'T BRING THEM THEY FEEL AIR JAMAICA MUST. EMBASSY URGES THAT DEPT PRESS FOR INCREASED ALLOCATIONS FOR JET FUEL FOR AIR JAMAICA WHICH WOULD BRING TOTAL ALLOCATIONS TO A LEVEL OF APPROXIMATELY 85 PERCENT OF CURRENT REQUIREMENTS.
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